FRAMEWORK FOR THE FY11 OPERATING PLAN AND BUDGET

SUMMARY AND ANALYSIS OF PUBLIC INPUT
(15 February – 1 April 2010)

ICANN's fiscal year operating plan and budget development relies heavily upon community feedback into its processes. The Framework for the FY11 Operating Plan and Budget was posted on 15 February 2010 and was discussed on conference calls as well as at an open forum and in community breakout sessions during the ICANN Nairobi meeting. Community feedback was documented via online forum (public comments), via links to other websites (e.g., ccNSO SOP WG), via transcripts from meetings, via chat rooms, and via staff notes from meetings and conference calls.

Source references:
The text of the online forum public comments may be found at
http://forum.icann.org/lists/op-budget-fy2011/
The text from the ccNSO SOP WG may be found at
http://www.ccnso.icann.org/announcements/.)
Transcripts from the Nairobi meeting and chat discussions may be found at
http://nbo.icann.org/node/8951.

This document is organized into three sections:

Section I--Key Points made in the community feedback;
Section II--Summary of Input; and
Section III--Analysis of the community input including how the feedback is factored into the draft FY11 Operating Plan and Budget posted, for further community input, by 17 May 2010.

I. KEY POINTS

The feedback from the community on the Framework for the FY11 Operating Plan and Budget primarily addressed the following areas:

Need for more detailed information. Many comments expressed appreciation for the level of information available in the Framework, but many more expressed a strong desire for more information to be provided so that further analyses and more focused feedback could be performed. More operating plan and budget details were requested about a variety of areas, including:
- Multiyear views
- Headcount by function
- Headcount of staff v. contractors
- IANA infrastructure details
- Security, stability and resiliency (SSR) details
- Processing IDN ccTLD fast track request costs
- Capital v. depreciation expenses
- Board retreat costs
- FY10 additional costs
- Ecosystem portion of strategic plan costs
- Technical operations costs
- Revenues versus costs
- Allocation of cost assumptions

Need for more resources. Many comments made suggestions to increase funding support for certain activities, such as:
- Studies for fact-based policy development including WHOIS
- Contractual compliance
- Travel support especially to avoid curtailing outreach
- At Large support functions
- Policy development
- Increased focus on DNS stability

Revenue management. Some comments suggested a more conservative approach to revenue forecasting and encouraged more discussion of ICANN revenue models.

Operations suggestions. Many comments suggested new approaches to ICANN's operations. Although not directly applicable to the development of the fiscal year Operating Plan and Budget development and approval, these comments will be considered by the ICANN staff responsible for the activity. Topics addressed included:
- Show changes in actual allocation of resources v. what is part of approved budget
- Use time sheets
- Strengthen decisions about spending priorities
- Use benchmarking
- More support for non-contracted parties
- No need for more technical operations when others can do this
- Less emphasis on reviews and more focus on DNS stability

- Do not operate DNS CERT without community agreement
- Need to prioritize policy development processes

Costs Reduction. Some comments expressed concern with levels of spending at ICANN including employee compensation.

II. SUMMARY OF INPUT

This section summarizes the community feedback received regarding the Framework for the FY11 Operating Plan and Budget.

A. Need for More Detailed Information

Technical Operations Expenses.
Will more detail be provided about the increase in technical operations expenses? *M. Langenegger, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Transcript at 8 (10 Mar. 2010). C. Gomes, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Chat Transcript (10 Mar. 2010).*

IANA increases—lack of details (section 4.3).
A detailed breakdown of the increased costs for strengthening IANA and Technology Operations (18.1% increase over FY10) would be helpful in evaluating them. Also, the budget lacks sufficient details about the cost and depreciation timeframe for the replacement of IANA infrastructure (i.e., even though it may be possible to depreciate the expense over a term of 3+ years the outlay of cash may need to happen in the current year). *C. Gomes (10 Mar. 2010). RySG (1 April 2010).*

Security, Stability and Resiliency (SSR)—lack of details (section 4.4).
 A list of some of the SSR elements is provided but without any cost detail, so it is difficult if not impossible to properly evaluate this area. *C. Gomes (10 Mar. 2010). RySG (1 April 2010).*

SSR and DNS Operations have the two largest increases in the budget, but the Framework falls short in explaining how these dramatic increases are proposed to be spent. There is also with respect to ICANN budgets a persistent difficulty in discerning the boundaries between these two areas (i.e., in order to conduct a proper evaluation of these budget increases, clarifications are needed-- e.g., both the SSR and DNS Operations categories seem to cover costs of DNSSEC deployment). *COA (1 April 2010).*

To enable proper analysis, greater clarity should be provided regarding precisely which initiatives account for the 26% increase (to $7.25 million) in SSR-related expenditure for FY11. *auDA (1 April 2010). ccNSO SOP WG (24 Mar. 2010).*

IANA and Technological Operations, SSR, and DNS Operations.
IPC commends the proposed FY11 increases in all three of these areas but as with the FY10 Operating Plan, IPC has difficulty identifying the boundaries of these and understanding which ICANN entities are responsible for implementation and oversight of the increased resources. These areas appear to overlap significantly. Clear delineation of these three budget items would allow for better community understanding of ICANN's proposed resource allocation. *IPC (1 April 2010).*

Maintaining a healthy Internet eco-system.
This priority is appropriate but it accounts for 25% (about $15 million) of ICANN's overall budget, an order of magnitude greater than the amount allocated for security and

stability. ICANN should ensure that expenses in this area are clearly explained and justified with benchmarks and concrete goals. *auDA (1 April 2010).*

During the next Strategic Plan (2013-2016), At-Large's goal is to organize a second ICANN At-Large Summit, undertaken with outreach and participation activities with other ACs and SOs (e.g., GAC, ccNSO and possibly stakeholders from the non-contracted GNSO), and with the support of the ICANN Global Partnership department. ALAC hopes that a synergy could be found along similar objectives, all aimed at increasing and improving both public participation in ICANN and our role in a healthy Internet eco-system. *ALAC (2 April 2010).*

"Multi-stakeholder" model.
ICANN should provide a separate overview in the Operating Plan that groups all "multi-stakeholder"-related expenses in one diagram, inasmuch as it is difficult for stakeholders to identify how much money is spent on this effort and in what areas. ICANN should consult at length with community members who will be beneficiaries of these engagement efforts to ensure ICANN efficiently delivers the required services, funding, support, information and training, including ongoing review and consultation on, e.g., meeting logistics, community travel funding, translation and interpretation services, and remote participation tools. *auDA (1 April 2010). ccNSO SOP WG (24 Mar. 2010).*

Headcount.
What is the headcount supported by the Operating Plan and Budget Framework for both ICANN employees and contractors? It would be helpful if the headcount was broken out by functional area. *RySG (1 April 2010).*

Display of budget details.
ICANN should provide budget details with greater specificity, real dollar amounts and "granularity" (i.e., the capacity to see and understand cost allocations and expenditures across all parts of ICANN inclusive of the information found in the REA and dashboard reporting). E.g., when expenses are shared across ACs and SOs, a ratio or "split" could be provided. Information should be provided in tabular, chart and graph form for year to date and year to year comparison and projection. Relevant information and materials should be linked to source material and allow community members to "drill down" to the level of information they wish to engage with. *ALAC (2 April 2010). ccNSO SOP WG (24 Mar. 2010).*

Previous budget allocations.
Detailed information should be provided where previous budget allocations for activities, projects, departments or AC and SO activities have varied from those previously budgeted. Information about unused funds and their reallocation should also be provided. *ALAC (2 April 2010).*

IDN Implementation (section 4.2).
The decrease of 9.2% in FY11 seems reasonable given the FY10 launch of the IDN ccTLD Fast Track program. ICANN failed to obtain financial commitments from ccTLD operators, which would make operation of the IDN ccTLDs more budget-neutral to ICANN. *IPC (1 April 2010).*

Introduction of IDN gTLDs and launch of ccTLDs within the fast track process must remain a top priority of ICANN. Various country code (cc) working groups that share the

same alphabets should be created for devising genuine language and script tables (e.g., the Arabic Script IDN Working Group). Other activities should include increasing awareness among cc communities with the help of government; conducting workshops to encourage IDN implementation; and studying various security issues that could be related to IDNs, such as the impact of phishing. *ccNSO SOP WG (24 Mar. 2010).*

With respect to ICANN's proposal to collect 3% of revenue associated with new IDN ccTLDs, would it not be better for ICANN to demonstrate its actual costs in providing services to these IDN ccTLDs rather than proposing/imposing a 3% surcharge on registry revenue? *M. Palage (31 Mar. 2010).*

Policy Development.
It is not clear that enough has been budgeted just for GNSO improvements let alone those that may be implemented for other SOs and ACs. It would be helpful to see a breakout of these budgets. Sections 4.7 & 4.8 (pp. 21-23) contain detail without any allocation of costs for the various tasks. *C. Gomes (10 Mar. 2010). RySG (1 April 2010). ALAC (2 April 2010). M. Langenegger, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Transcript at 9 (10 Mar. 2010). C. Gomes, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Chat Transcript (10 Mar. 2010).*

Ombudsman (item 11 in table, p. 15 & pp. 25-26).
There is no explanation on pages 25-26 about the increase for the ombudsman activity; why is this 22% increase needed? *C. Gomes (10 Mar. 2010). auDA (1 April 2010). RySG (1 April 2010). COA (1 April 2010).*

Board support (item 12 in table, p. 15, section 4.11, p. 24).
It would be helpful to know how much each Board retreat is projected to cost. *C. Gomes (10 Mar. 2010). RySG (1 April 2010).*

If funds from the community are used to pay for Board retreats, then the content, presentations, etc. at those retreats must be made public. *RySG (1 April 2010).*

Expenses and Revenue Comparison by Group.
For organizations that contribute to ICANN's revenue, it would be helpful for ICANN to provide a table or chart showing how revenue contributions compare to support expenses. It is understood that some support services are shared by multiple groups, but all organizations deal with that and are able to allocate expenses in reasonable ways. It would also be helpful if each SO and AC was given at least a high level report of the expenses required to support their activities. *C. Gomes (10 Mar. 2010). C. Gomes, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Transcript at 9 (10 Mar. 2010). C. Gomes, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Chat Transcript (10 Mar. 2010). RySG (1 April 2010).* Year to year comparisons of such revenue and expenditure would also be considered a requirement. *ALAC (2 April 2010).*

Contingency Fund.
Maintenance of a $1.5 million contingency fund for FY11 is appropriate, but additional detail should be provided on how the Board Finance Committee gauges the level of budgetary risk to establish the contingency level and how requests for release of contingency funds are evaluated and approved. *Go Daddy (1 April 2010).*

<u>Reserve Fund Level (section 6)</u>.
How much is in the Reserve Fund today? *C. Gomes (10 Mar. 2010). auDA (1 April 2010). RySG (1 April 2010).*

Given that the new gTLD program and application process are expected to be revenue-cost neutral, it is unclear how ICANN will effect its plan to replenish the Reserve Fund with new gTLD application fees. As further delays to the new gTLD program are conceivable, ICANN should be cautioned against relying on recouping resources from those application fees and should consider this issue in "fine tuning" the level for the Reserve Fund. *IPC (1 April 2010).*

<u>FY10 Costs</u>.
The following issues regarding FY10 cost overruns were raised by the ccNSO Council in Nairobi but remain unanswered:
  (1) What were the significant unanticipated legal expenses? Were they exclusively in respect to the .xxx arbitration?
  (2) What were the new facilities and how much money was spent on them?
  (3) What were the senior level hires that it was necessary to execute rapidly on and what was the nature of the expenses associated with these?
  (4) What were/are the strategic consulting contracts and what was the nature of the expenses associated with these?
  (5) What was the nature of the costs associated with delays in key programs such as the new gTLD program?

ccNSO Council (31 Mar. 2010). ALAC (2 April 2010).

ICANN should provide details about the reasons for, and steps it has taken (cost cutting, etc.) to deal with, the FY10 budget overruns. auDA is concerned about changes to the travel policy that would affect the ability of ICANN staff to engage with ICANN stakeholders, conduct outreach and represent ICANN in relevant fora. ICANN should respond as to why this cost cutting has been undertaken while ICANN maintained a contribution to the Reserve Fund—is such an overrun not precisely the type of event reserves should be used for? *auDA (1 April 2010).*

ICANN should review its FY10 year end cost containment efforts and any insights gathered should be duplicated or expanded in continuous improvement of ICANN's financial performance. *Go Daddy (1 April 2010).*

B. Need for More Resources

<u>Policy development--fact-based research</u>.
ICANN should develop a commitment to fact-based research that supports informed policymaking. *M. Cade, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Transcript at 6 (10 Mar. 2010).*

<u>Policy development prioritization</u>.
The GNSO Council should prioritize the various policy development processes based on a realistic assessment of resources from ICANN, the Council and the broader community. ICANN should budget for higher policy development costs, given the past struggles with contract compliance, the large number of abusive domain name

registrations that continues to grow, and both the certainties and uncertainties presented by the new gTLD program (both IDN ccTLDs and new gTLDs). *IPC (1 April 2010).*

A commitment to prioritized policy and support will help to delay or alleviate the need for additional ICANN staff. ICANN should explore other means (contracted employees, existing third party organizations, etc.) to complete limited projects or work outside of ICANN's core mission. *Go Daddy (1 April 2010).*

Support for core operations.
auDA supports achieving excellence in core operations but questions the financial level of this commitment and the ambiguity in proposed activities in this area. E.g., only 10% (nearly $6 million) of ICANN's overall budget is allocated to IANA and Technology operations improvement. Will this funding be sufficient given that ICANN foresees implementation of Root Zone Management software, IANA infrastructure improvements and DNSSEC implementation? Also, ICANN should provide greater clarity on how it describes specific core operations-related deliverables—e.g., what does ICANN mean by "make improvements to IANA infrastructure", "manage stakeholder relationships in a measurable way", and "improve performance reporting"? This will help stakeholders understand ICANN priorities and help the Board and CEO determine whether strategic objectives have been realized. *auDA (1 April 2010). ccNSO SOP WG (24 Mar. 2010).*

Contract compliance.
The draft budget proposes an increase of less than 4% for the Contract Compliance department. This department needs further investment given the advent of new gTLDs and the probable expansion of abusive behaviors by some bad actor registrars, registries and registrants. *MARQUES/ECTA (1 April 2010).*

ICANN needs to ensure that there is sufficient focus to and funding for ICANN's compliance work. *M. Cade, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Transcript at 6 (10 Mar. 2010).*

While improvements have been made (e.g., changes to the RAA providing some enhanced tools, progress toward developing a "compliance culture" within ICANN), much more needs to be done with respect to contract compliance. Increased resources and full funding of the contract compliance function are critical. The budget will increase only 6% in FY11 for this area and in comparison to what is forecast to be spent for FY10, the proposed FY11 number actually represents a decrease. Given that ICANN uses contractual enforcement as a substitute for regulation and laws, this issue goes to the credibility of the entire enterprise and the viability of the "ICANN Model." ICANN has not yet achieved an adequate baseline of a contract compliance function that has proven itself to be fully adequate to enforce the existing contracts with registries and registrars. *COA (1 April 2010)*

Recognizing that some progress has been made, more concerted efforts are needed to raise dramatically the profile of compliance issues from the viewpoint of contracted parties, to strengthen the fledging efforts of ICANN to communicate to the public about its compliance activities, and to adopt a more strategic approach which focuses on compliance efforts that will deliver the greatest impact for domain name registrants and Internet users. Strategy, probably the most important area, appears to have advanced the least so far. Also, there is considerable potential for making compliance efforts more effective and efficient through improved contract terms both in the Registrar

Accreditation Agreement and in the various registry agreements, especially those being prepared for applicants to operate new gTLD registries. *IPC (1 April 2010).*

Complaints—data and assessment.
ICANN should with vigilance pursue the following priority in an open, transparent manner so data can be verified and acted upon: "[m]anage, respond to, and measure the volume of incoming complaints about registrars and registries, as well as Whois data inaccuracy complaints from consumers." This requires not only increased budget for compliance, but also budget for policy development to prevent the harms to consumers and businesses demonstrated by many of the filed complaints. *IPC (1 April 2010).*

External contract compliance advisory council.
This council, contemplated in last year's plan, seems to have been discarded, but it could be of great value in evaluating ICANN's successes and shortcomings and in recommending how to improve the track record and build the "culture of compliance." This would be particularly important as the High Security TLD program moves forward, particularly to the extent it might be considered a certification program. *IPC (1 April 2010).*

At- Large support.
Staff support for At-Large and the ALAC has been drastically reduced. While the role of the At-Large Coordinator is unfilled, the At-Large staff is working at an unsustainable level and will not be able to meet current and future needs. *ALAC (2 April 2010).*

Key priorities for the 5 Regional At-Large Organizations (RALOs) are: capacity building and continuing education of RALOs and ALSes to ensure effective participation in At-Large policy discussions; outreach to increase the number of ALSes (goal is to have at least one ALS in each country); and inreach to encourage continuing participation of existing ALSes. These funding requirements should be addressed within the budget as a "single envelope" budget where actual expenditure decisions can be taken by the ALAC under the guidance of its policy support staff. *ALAC (2 April 2010). S. Bachollet, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Transcript at 8 (10 Mar. 2010).*

Global Engagement—Business Constituency Support.
Section 4.9 does not mention the Business Constituency. ICANN should specifically mention business and assure the resources necessary to complement the Business Constituency's efforts to strengthen broader business participation in ICANN globally. *A. Hassan, ICANN Nairobi, Framework for FY11 Operating Plan & Budget, Transcript at 6-7 (10 Mar. 2010).*

Whois Improvement.
It appears that there are no funds budgeted to Whois studies. It seems important that at least some of the studies be done in FY11 to make progress on this important issue. If it is not possible for the GNSO Council to provide direction on which studies it would like to pursue, then it would seem useful to budget some funds for that eventuality. *C. Gomes (10 Mar. 2010). RySG (1 April 2010).*

ICANN has mot followed through on hiring a Whois compliance manager and training and supporting auditors in three additional global regions (ICANN has only hired one regional auditor in Asia). ICANN needs to do <u>much</u> more to improve the accuracy of Whois data in light of the very clear Affirmation of Commitments on this point. Extra

budget needs to be set aside not just for compliance functions in this area, but also for policy development. With respect to the Whois data problems reporting system (WDRPS), as IPC requested last year, ICANN should devote some of its public relations spending to publicizing the availability of this system among consumers, domain name registrants, anti-phishing and other anti-fraud organizations, and civil and criminal law enforcement agencies, with the goal of making its use routine whenever users encounter registrant contact data that appear false. *IPC (1 April 2010).*

C. Revenue Management

Registry Fees.
How does the FY11 number ($32.4 million) compare to registry fees for FY10? *C. Gomes (10 Mar. 2010). RySG (1 April 2010).*

In what forum can the ICANN community engage in a discussion about how ICANN sets and collects fees from registry operators? There is an anomaly between the fees that existing gTLD registries pay (e.g., .museum) and the fees that prospective gTLD registry operators will have to pay to ICANN. Why is ICANN proposing to impose a 500% increase in the annual registry cost to register 50,000 domain names? These unjustified, substantial fee increases by ICANN may pose a barrier to entry for some developing countries or for smaller cultural/linguistic community-based TLDs from developed and developing countries. *M. Palage (9 April 2010).*

IDN ccTLD Fast Track registry operators.
How much is being budgeted for revenue from IDN ccTLD Fast Track registry operators? How are their fees being determined? *RySG (1 April 2010).*

Revenue forecasts.
In the current economy, ICANN should be budgeting conservatively. It is a mistake for ICANN to anticipate higher FY11 registrar revenues, ccTLD revenue and other revenues than currently forecast for FY10. *IPC (1 April 2010).*

D. Operations Suggestions

Time sheets.
While transparency and accountability improvements have been made regarding ICANN's finances, ICANN has still failed to implement time sheets for ICANN employees and consultants. Given ICANN's growth in headcount, operations and budget, a time sheet program for staff and consultants is no longer an option and should be implemented to achieve true accountability and transparency as to how ICANN imposes and collects fees. ICANN's Board should make time sheets an operational priority in next year's budget. *M. Palage (31 Mar. 2010).*

There should be greater detail on employee and consultant time allocation. *ALAC (2 April 2010).*

Decisionmaking process on spending and disclosures.
To promote transparency, accountability and financial stability, ICANN should clarify what the process is for making decisions about spending, and should adopt processes

for disclosing forecasts and actual spending. ICANN should also distinguish between structural and variable expenses. *ccNSO SOP WG (24 Mar. 2010).*

ICANN's overall annual expenditure levels continue to grow, raising considerable concern for many ICANN stakeholders. Thus ICANN must maintain the highest possible levels of financial transparency, accountability and responsibility, with greater detail in this and future Operating Plans on ICANN's proposed activities and associated expenses to ensure that community concerns are mitigated. *auDA (1 April 2010).*

Clear objectives and measurement for excellence in operations.
The objectives and activities are vaguely described in the Operating Plan framework. Expenses have seen big increases (150% since 2007 with only a 50% increase in revenues over the same period). Expense priorities have not focused on ICANN's core operations. Improvement is not possible without measurement; accordingly, ICANN should:
(1) determine and implement monitoring and measuring methods about performance on core services;
(2) determine performance v. service levels;
(3) measure customer satisfaction both qualitatively and quantitatively;
(4) benchmark processes, technical and financial performance regarding effectiveness and efficiency (e.g., with registries);
(5) improve performance to a predefined level; and
(6) work towards compliance with a quality standard (ISO 27001/2 and/or 9001).

ccNSO SOP WG (24 Mar. 2010).

Benchmarking.
There are no benchmarks against which to measure whether an activity adds value in terms of a concrete goal and the impact on resources. E.g., about ¼ of ICANN's budget is spent on shaping a healthy Internet ecosystem, three times more than the category identified as most important in the ccNSO survey—security and stability; budget for core meeting logistics remains flat while remote participation tools are becoming more important; regarding whether to increase the level of travel support for the ICANN community, what are the SMART results from past meetings? Should the $1.5 million for translation and interpretation be spent differently? *ccNSO SOP WG (24 Mar. 2010).*

Staff resources.
If due to increasing demands or tasks more than reasonable staff/consultant time is obvious, a choice of either more or shared assistance or modification of project or activity milestones is required. *ALAC (2 April 2010).*

Multi-year, long-view budget planning for key programs.
ICANN should consider whether budgeting for certain key programs (e.g., new gTLDs) would benefit from taking a long view—e.g., envisioning an implementation across several fiscal years, with a lower projected budget for gTLD implementation and delegation annually. *IPC (1 April 2010).*

New gTLD program (section 4.1).
Despite apparent progress, many of the new gTLD overarching issues have yet to be thoroughly addressed and may not be sufficiently addressed within FY11. Because FY11 projected revenue is nearly even with expenses, ICANN should consider a long-

term budget for gTLD Implementation and Delegation that can be spread out over several fiscal years, freeing up resources for FY11 and beyond to be used for organizational activities that remain underfunded such as Contractual Compliance and better Rights Protection Mechanisms in existing and new gTLDs. *IPC (1 April 2010).*

Technical operations.
Is it cost effective for ICANN to be so heavily involved in technical operations especially given that there are many global organizations that have outstanding infrastructure and operational capability already in place? The total FY11 budgeted amount for IANA & Technology Operations Improvements, Security, Stability and Resiliency Operations, and DNS Operations (Section 4, page 15) is more than $13.5 million, more than 22% of the total expense budget for FY11. *C. Gomes (10 Mar. 2010). RySG (1 April 2010).*

ICANN should be cautious in expanding security-related activities to ensure this work remains consistent with its mandate and complements, not duplicates, existing initiatives, infrastructure and operational capabilities. *auDA (1 April 2010). ccNSO SOP WG (24 Mar. 2010).*

DNS-CERT.
The haste with which this initiative is being advances raises concern. This proposal is a work-in-progress subject to considerable further public comment. It is premature for ICANN to include it in this Operating Plan. *auDA (1 April 2010). ccNSO SOP WG (24 Mar. 2010).*

No funds should be allocated for DNS-CERT initiatives until after the public has had an opportunity to thoroughly discuss them and only if the community decides they should be undertaken by ICANN. *RySG (1 April 2010).*

Are DNS-CERT initial costs already included in this framework? *ccNSO SOP WG (24 Mar. 2010).*

Security and training.
The ccNSO community supports increased investment in security training, but in light of concerns about ICANN's expenditures, the development of online and distance learning materials is recommended for more cost-effective and ongoing training of registry operations staff. A regional approach is also sensitive since registries (mainly ccTLDs) are in different stages of development. *ccNSO SOP WG (24 Mar. 2010).*

Organizational improvement (section 4.14, p. 25).
It is not clear what activity listed in the table on page 15 corresponds to this; does it correspond to Activity 15, Administrative Improvement? *C. Gomes (10 Mar. 2010). RySG (1 April 2010).*

The 21.1% increase in this area seems attributable mainly to the need to conduct the reviews called for in the Affirmation of Commitments. The budget should also reflect a decrease in spending on the other organizational reviews which have taken up so much of ICANN's resources as well as those of volunteer participants with so little return. COA endorsed IPC's comment from last year that "[o]rganizational reviews would be an excellent place to start" in finding "areas of ICANN work that could be streamlined, reduced or deferred." *COA (1 April 2010)*

It is unclear what value (if any) will be derived from the Administrative Improvement reviews. They raise a concern that ICANN would divert resources to these reviews that could be used more productively in addressing DNS problems (e.g., abusive name registrations and malicious use of the DNS). *IPC (1 April 2010).*

Support for Constituencies.
The Constituency Support category is mislabeled; it should be renamed "Catering to the needs of contracted parties." While there are 4 GNSO stakeholders groups, the budget only supports 2 –registrars and registries. This could be addressed by allocating one half of the resources for this budget item to the other half of the GNSO (commercial and noncommercial stakeholders and their constituencies). ICANN has not made a priority of supporting the participation of non-contracted parties, which is short-sighted and increasingly inconsistent with ICANN's publicly trumpeted commitment to serve the public interest. *COA (1 April 2010)*

Increased participation in policy development must come from all elements of the Internet community. Virtually all Constituency Support, Core Meeting Logistics, Policy Development Support and Global Engagement activities revolve around contracted parties rather than representatives of other constituencies (e.g., private sector businesses or intellectual property owners). *IPC (1 April 2010).*

The proposed Framework lacks budget to promote adequate growth of the non-contracted constituencies. ICANN should make an adequate commitment of funds over the next 3 years to enable non-contracted constituencies to hire more professional help, cover travel to meetings, conduct outreach, etc. This would give non-contracted constituencies better control and put them on par with respect to all the resources ICANN expends on such efforts for its contracted parties, including dedicated staff, regional meetings only for contracted parties, etc. *IPC (1 April 2010).*

It is disappointing that the FY11 Operating Plan and Budget lacks any funding for the non-contracted constituency (e.g., the Intellectual Property Constituency). MARQUES and ECTA are extremely concerned at the volume of workload placed upon non-contracted parties. Registrants fund ICANN (e.g., businesses, individuals, not-for-profits, industry and volunteer associations) and the non-contracted constituencies represent their interests in the ICANN process. ICANN provides no funding to these essential constituencies other than occasional and limited travel support. If ICANN did provide funding to them, it would transform participation in ICANN and the quality of debate, expanding global participation and lifting the burden that falls on a small number of volunteers. MARQUES and ECTA recommend that ICANN provide financial support to the non-contracted constituencies, such as:
(1) Funding of $150K per year for initially 5 years to enable recruitment of professional secretariats to monitor ICANN output and to ensure positive and full-engagement in the development of policy and good practice; and
(2) The creation of a pool of funds available to non-contracted constituencies, on a matching basis, with an upper limit (e.g., $200K). If, for example, the IPC can raise $50K and ICANN matches it with $50K, this amount would assist with outreach, the production of position papers, recruitment of new members from around the world, etc.
ECTA/MARQUES (1 April 2010).

The Framework's statement that ICANN funding comes largely from accredited and contracted-with registrars and registries is misleading; ICANN funding comes almost entirely from registrants of generic TLDs. This statement reflects an error in the mindset regarding ICANN budget and planning documents that ICANN must first cater to the needs of its contractual partners, rather than to the broader interests of other participants such as domain name registrants and Internet users as a whole. ICANN's entry into the Affirmation of Commitments has not changed this mindset. *COA (1 April 2010).*

E. Costs Reduction

Opposition to budget.
The overall level of spending is far too high. ICANN needs to cut down on its activities and focus on a narrow technical mission. Staff compensation is out of line (and wrongly uses for-profit companies as comparables); many (most) staffers are overpaid. Spending on travel and meetings is too high; meetings should be cut to at most 2 per year. ICANN should prepare for a "steady state" equilibrium where its job is "mostly done." ICANN also needs to explain why costs for domains are 500% higher than the cost of toll-free numbers in the USA and have been increasing. The DOC and NTIA need to step in and make serious changes to ensure that ICANN is acting in the public interest instead of the private interests of ICANN employees and lobbyists. *G. Kirikos (1 April 2010).*

Meeting expenditures (section 4.6).
Funding meetings outside of the existing meeting calendar (e.g., PDP working group meetings, special initiatives (IRT/SIT), and issue-oriented Advisory Committees) should not all come from ICANN's budget (e.g., if the GNSO believes certain activities are relevant and important then it should be responsible for funding these directly). Similar thought should be given to any requests for increases in travel funding that have not been typically accounted for in ICANN's budget. *Go Daddy (1 April 2010).*

The numerous ways to reduce meeting expenses for ICANN and attendees include: reducing the number of ICANN meetings from 3 to 2 meetings annually, with more reliance on regional meetings; and designating a small number of hub cities in each region as ICANN meeting sites (as opposed to using "obscure" locations), which would ensure adequate facilities and security and help with budget planning and cost containment. *Go Daddy (1 April 2010).*

ICANN should consider charging a nominal, cost-offsetting fee for some event expenses associated with its meetings. Even a small amount ($100) would dramatically help control meeting costs. Such fees would not have to affect the Fellowship Program and the program could be expanded or modified to address the needs of attendees within the region. *Go Daddy (1 April 2010).*

Meeting costs—planning.
Staff should be sure that the potential for increased costs (e.g., remote participation, security) at future meetings has been considered during the planning process. ICANN should duplicate and expand its support of remote participation technologies, including remote transcription and translation. *Go Daddy (1 April 2010).*

Core Meeting Logistics--Remote Participation (section 4.6, p. 21).

How much is budgeted to improve remote participation capabilities (which is conspicuously missing from the description in section 4.6)? *C. Gomes (10 Mar. 2010). RySG (1 April 2010).*

F. Other

<u>Minor Edits</u>.
On page 8 in the table, there seems to be duplicative language (first column) regarding "DNS collaborative responses" to threats to the DNS. *C. Gomes (10 Mar. 2010).*

On page 8 in the table the last item of the second column ("Monitor IPv4 and facilitate adoption of the IPv6 protocol") would seem to fit better into the first column titled "Preserve DNS Security and Stability." *C. Gomes (10 Mar. 2010).*

III.   Responses to Comments

Input	Response
Need for More Information	
More details in general—e.g., cost allocation, unused funds, etc. *(auDA, ALAC, ccNSO SOP WG)*	The draft FY11 document contains over 85 pages of details.
It is not clear that there are sufficient funds allocated for GNSO improvements for FY11. Years of work have gone into the improvements and they will primarily be implemented in FY11. Will a detailed breakdown of the budgeted funds for this area be provided? (C. Gomes)	Yes, see sections 4 and 5. About $350k
Multiyear views *(IPC)*	Yes, see appendix E.
How much is budgeted to improve remote participation capabilities? (C.Gomes, RySG)	Details for this are hard to estimate as it crosses many budget buckets including connectivity costs, staff efforts, and special projects. For example, the Public Participation Committee has $145k set aside for consultants to progress on this topic.
Headcount by function *(RySG)*	See section 5.
Staff v. contractors headcount *(RySG)*	Not addressed in the document. Note forwarded to staff and others.
Details of technical operations—e.g., sufficiency of cost levels, cost effectiveness *(C. Gomes, RySG, M. Langenegger, auDA)*	See section 5.
IANA infrastructure details *(RySG)*	See section 4.3
Capital v. depreciation expenses *(RySG)*	See section 5
Security, stability, resiliency details *(C. Gomes, RySG, COA, auDA, ccNSO SOP WG, IPC)*	See section 4.4
IDN ccTLD fast track request costs *(M. Palage, ccNSO SOP WG, IPC)*	The Cost Accounting Guidelines recently posted addresses how actual costs will be tracked, reported, and independently audited. See http://www.icann.org/en/financials/cost-accounting-guidelines-22apr10-en.pdf
Board retreat costs *(C. Gomes, RySG)*	Direct costs for travel support are $300k
FY10 additional costs *(ccNSO Council, ALAC, auDA)*	See executive summary, section 2.
Ecosystem portion of strategic plan costs (v. security/stability) *(ccNSO SOP WG, auDA, ALAC))*	More details provided in draft FY11 document.
Breakout policy development cost allocations (e.g., GNSO, other SOs and ACs) *(C. Gomes, RySG, ALAC, M. Langenegger)*	See section 4.8
Revenues v. costs showing (with comparison by group, and year to year) *(C. Gomes, RySG)*	See section F
Allocation of cost assumptions *(ccNSO SOP WG)*	More details provided in draft FY11 document.
Reserve fund level and uses *(auDA, C. Gomes, IPC)*	Reserve fund is now $47 million. See section 6

Input	Response
Contingency fund details *(Go Daddy)*	See section 5
Overview of total multi-stakeholder-related expenses *(auDA, ccNSO SOP WG)*	More details provided in draft FY11 document.
Rationale for Ombudsman increase *(C. Gomes, auDA, RySG, COA)*	The FY11 Ombudsman budget is assumed to remain flat from FY10 except for foreign exchange rate differences and modest CPI increases.
Need for More Resources	
As workload of ccNSO increases, need more staff support; how will cuts affect this staffing? How are cuts and delays identified? (B. Burr)	Some increase in staffing for policy development support with most additional support coming from efficient use of current staffing.
Funds for fact-based research to support policy development *(M. Cade, B.Tonkin)*	More funds (over $710k) for fact based research to support PDPs. See section 5.
Whois studies and additional resources *(C. Gomes, IPC)*	More funds for Whois studies are provided in the draft FY11 document. See section 5.
Policy development prioritization with efficient staff/contractor resource allocations (e.g. contractual compliance, new gTLDs) *(IPC, Go Daddy)*	Indirectly described in the Appendix A.
More contractual compliance support *(MARQUES/ECTA, M. Cade, COA, IPC)*	Additional staffing and focus of efforts are assumed in the draft FY11 document. See Section 5 and details in appendix A.
Travel support to avoid curtailing outreach *(auDA)*	Point is noted, and savings associated with travel costs are designed to avoid curtailing critical activities.
At-Large support functions *(ALAC)*	Additional staffing and focus are provided for in the FY11 draft document
Support to complement Business Constituency's global outreach efforts *(A. Hassan)*	Details for this are hard to cull out as most of this is integrated across other functions of ICANN's activities.
DNS stability and security *(auDA, ccNSO SOP WG)*	See executive summary and section 4 The Operating Plan
IDN gTLDs, ccIDNs are priorities (e.g., outreach, implementation, security impact) *(ccNSO SOP WG)*	Noted. See executive summary.
Revenue Management	
Conservative revenue forecasting *(IPC)*	Resource experts (ie registries, registrars, ccTLD's) are being asked for validation of all assumptions used in the Revenue calculations. Section 5 describes the assumptions used.
Further discussion of ICANN revenue models *(M. Palage)*	The draft FY11 document starts to address the information needs in order to assist the revenue model discussion. The BFC is addressing this topic in their meetings as well.
Registry fees—levels and comparison of FY11 & FY10; IDN ccTLD fast track revenue *(C. Gomes, RySG, M. Palage)*	See section 5 and for more information on ccTLD fees including the assumptions used.
Operations Suggestions	
Strive for Excellence in Core Operations: determine and implement monitoring and measuring methods on performance on core services (ccNSO SOP WG); 14% of total budget spent on Core Operations and 86% spent on others: is this a good balance on how to spend the money? (Rolof/ccNSO)	See section 4.
Staff resource management—improvement/calibration to task levels *(ALAC)*	Point noted and passed on to executive team and Board
Show changes in actual resources allocations v. approved budget *(ALAC, ccNSO SOP WG)*	Point noted and passed on to executive team and Board

Input	Response
Distinguish structural v. variable expenses *(ccNSO SOP WG)*	Point noted and passed on to executive team and Board
Use time sheets; more detail on time allocation of staff/consultants *(M. Palage, ALAC)*	Point noted and passed on to executive team and Board
Strengthen spending priority decisions *(ccNSO SOP WG)*	Point noted and passed on to executive team and Board. Also see ICANN's newly posted procurement guidelines: http://www.icann.org/en/financials/procurement-guidelines-21feb10-en.pdf
Have clear objectives; use benchmarking for activities (assess value-add) and other performance measurements *(ccNSO SOP WG)*	Point noted and passed on to executive team and Board
Provide more support for non-contracted parties *(COA, IPC, MARQUES/ECTA)*	Point noted and passed on to executive team and Board
Prioritize policy development *(IPC, Go Daddy)*	Point noted and passed on to executive team and Board
No need for more technical operations where others can do this *(C. Gomes, RySG, auDA, ccNSO SOP WG)*	Point noted and passed on to executive team and Board
More focus on DNS stability *(auDA, ccNSO SOP WG)*	Point noted and passed on to executive team and Board
Organizational reviews—details, rationale, streamlining for efficiency *(C. Gomes, RySG, COA, IPC)*	Point noted and passed on to executive team and Board
Do not operate DNS-CERT without community agreement; are its initial costs included in the framework? *(auDA, ccNSO SOP WG, RySG)*	Point noted and passed on to executive team and Board
Cost effective security training (e.g., online/distance learning for registry staff) *(ccNSO SOP WG)*	Point noted and passed on to executive team and Board
Multi-year, long-view budget planning for key programs *(IPC)*	See Appendix E.
25% spent on Professional Svcs-hard to manage this number of people and make sure you get what you are paying for (Rolof/ccNSO)	Point noted and passed on to executive team and Board. Procurement guidelines will address this as well.
Costs Reduction	
Overall spending too high (e.g., staff compensation) *(G. Kirikos)*	Point noted for Board Finance Committee
Improve meeting expenditure process (e.g., reduce number of meetings, support remote participation) *(G. Kirikos, Go Daddy, C. Gomes)*	Point noted and passed on to Board committees including Public Participation and Finance Committees

RESPONDENTS

At-Large Advisory Committee (ALAC)
.au Domain Administration Ltd (auDA)
Sebastian Bachollet (S. Bachollet)
Marilyn Cade (M. Cade)
ccNSO Council
ccNSO Strategic and Operational Planning Working Group (ccNSO SOP WG)
Coalition for Online Accountability (COA)
GoDaddy.com, Inc. (Go Daddy)
Chuck Gomes (C. Gomes)
Ayesha Hassan (A. Hassan)
Intellectual Property Constituency (IPC)
George Kirikos (G. Kirikos)
Matthias Langenegger (M. Langenegger)
MARQUES and ECTA (MARQUES/ECTA)
Michael Palage (M. Palage)
Registries Stakeholder Group (RySG)